

Abolish the Tax on Interstate Telework

The organizations listed below strongly support the Multi-State Worker Tax Fairness Act, legislation that would abolish the tax on interstate telework. We urge you to support this measure and to press for its swift enactment.

The Multi-State Worker Tax Fairness Act (H.R. 4085, 113th Cong.) would prohibit states from applying a rule commonly referred to as the “convenience of the employer” rule. In a state that maintains this rule, when a company employs a nonresident who chooses to telecommute some or most of the time, the state will tax the employee on 100% of his wages - not just the part of his salary he earns when he works in the state, but also the part he earns when he works at home, in a different state. Because telecommuters’ home states can also tax the income they earn at home, many employees are double taxed for telecommuting across state lines.

Even telecommuters who live in states that impose no personal income tax are penalized for choosing to telecommute between states: Notwithstanding the choice they made to live in a state that imposes no income tax - and notwithstanding the fact that their home states may impose uncommonly high sales tax or other taxes to make up for the lack of income tax revenue - they must pay state income tax anyway, to their employer’s state instead of their own.

The tax penalty creates tremendous confusion for interstate telecommuters concerning where they owe taxes. For many Americans, it can make telework unaffordable. The penalty also creates tremendous confusion for small businesses about where they must withhold for their interstate telecommuters. The difficulty of resolving the payroll issues drives up compliance costs for small firms and can make telework prohibitively expensive for them, as well.

Americans hurt by the penalty include *commuters* who need to telework when storms, transit failures, or other disruptions render roads and rails unusable; *disabled war veterans and other Americans with disabilities* for whom daily commuting or on-site work may be impossible; *family caregivers* of disabled Americans who need workplace flexibility to manage both care-giving and job responsibilities; *military spouses* who need portable jobs to avoid repeated unemployment as they move with their service members from base to base; *older Americans* with reduced mobility who need to phase in, defer, or come out of retirement; *unemployed Americans* who need to expand the region where they look for work; and *small business owners* who need a scattered workforce to build national enterprises with strong continuity of operations plans and minimal recruitment, turnover, and overhead expenses.

The Multi-State Worker Tax Fairness Act would remove the penalty for telecommuting across state lines, barring states from taxing nonresidents on wages they earn when they are physically present in another state. By removing the tax barrier to interstate telework, the measure would make it easier for small businesses to decentralize their staffs and easier for workers to accept distant positions.

On behalf of multi-state workers and the businesses that want to employ them, we respectfully request that you support the Multi-State Worker Tax Fairness Act and work to assure that it becomes law.

Thank you for your consideration.